



Kentucky's Affordable Prepaid Tuition

Account Owner's Guide to Using KAPT Benefits

Please follow the steps below to use your KAPT prepaid benefits. If you have any questions, call 1-888-919-5278, option 2.

Steps to Follow

1. If your beneficiary is applying for financial aid, advise the financial aid office at each school your beneficiary is considering attending that KAPT benefits will be used. Notify the financial aid offices as soon as possible after January 1st each year. See www.getKAPT.com for a contact list of school financial aid offices.
2. If your beneficiary is attending an out-of-state institution, notify KAPT in writing at least 45 days before enrollment begins. You can use the Notice of Intent to Enroll Form included at the bottom of your benefits use package letter.
3. Provide a completed KAPT Billing Authorization Form (available at www.getKAPT.com) to the school billings office on or before the school's billing deadline. This form must be provided to the school each academic term in which you want to use KAPT benefits. See www.getKAPT.com for a contact list of school billings offices.
4. Schools will bill KAPT after the drop/add deadline for the tuition and fees charged to the student, unless a lesser amount is indicated by you on the billing authorization form. KAPT will pay invoices up to the full payout value of the account.
5. If you have additional benefits available you wish to use for your beneficiary's other qualified higher education expenses, submit a KAPT Residual Benefits Request (available at www.getKAPT.com) to the KAPT program office.

Questions & Answers

How do KAPT beneficiaries become eligible to use benefits?

KAPT beneficiaries automatically become eligible upon reaching their projected college enrollment year. Before contract benefits can be utilized, all outstanding balances and fees must be paid in full, a valid Social Security number must be on file for the beneficiary, and the account must have been in effect at least two years. An information packet is sent to account owners in the spring of the beneficiary's college enrollment year.

Do I have to use KAPT benefits once my beneficiary reaches college age?

No. Your contract benefits can remain indefinitely after the projected college entrance year.

Does my KAPT contract guarantee my beneficiary will be admitted to a Kentucky institution or qualify for in-state tuition rates?

No. Students must meet the admission requirements of the school they wish to attend. The determination by an institution as to whether a student is eligible for in-state tuition rates is completely independent from the ownership of a KAPT contract. KAPT's payout values are based on in-state tuition rates, regardless of the beneficiary's residency status.

What benefits (payout value) do I have available?

The amount of benefits available will depend on the type of KAPT plan you have, the year benefits are used, and the number of benefit hours remaining. A payout value for your contract is established for each academic year when institutions set their tuition and fees. For example, the Standard Plan payout value is equal to the highest-priced Kentucky public university tuition. If the University of Kentucky has the highest-priced tuition for the year at \$5000 per semester, the payout value for one contract year of the Standard Plan for that academic year will be \$10,000. If you own four years of the Standard Plan, your one-year payout value will be \$10,000 and your full account payout value will be \$40,000 at that time.

Each KAPT contract year is the equivalent of 32 KAPT benefit hours. Depending on the number of contract years purchased, you could have up to 160 benefit hours available when your beneficiary begins using benefits (five contract years of tuition). Each academic year, the benefit hour value is determined for each type of plan by dividing the one-year payout value by 32. For example, if the one-year payout value of the Standard Plan is \$10,000, the benefit hour value for that year is \$312.50 (\$10,000 divided by 32). To determine the total payout value of your account, multiply the number of benefit hours remaining by the current year benefit hour value. Using our same example, if you have 64 Standard Plan benefit hours available, your full payout value is \$20,000 (\$312.50 X 64).

Your amount of benefit hours is reduced as benefits are used. For example, if the benefit hour value of the Standard Plan for the academic year is \$312.50 and your beneficiary uses \$8,000, 25.6 benefit hours will be deducted from the available benefit hours (\$8,000 divided by \$312.50). Keep in mind that if your beneficiary uses more benefits in an academic year than the one-year payout value, your account will be depleted at a faster rate and your benefits may be exhausted in a lesser number of years than anticipated. A usage statement showing the amount of benefits paid and the number of benefit hours remaining on your KAPT account will be mailed each year.

Once payout values are determined, this information will be made available through customer service at 1-888-919-KAPT, option 2, or at www.getKAPT.com.

Can we use more than one year of benefits at a time?

Yes. KAPT will disburse benefits up to the full payout value of the account at one time. If your beneficiary attends a higher-priced institution than covered by your KAPT plan (for example, if you purchased the Standard Plan and your beneficiary attends a private institution or an out-of-state institution), you may decide to use more than one year of KAPT benefits at a time. Keep in mind that your KAPT account will be depleted at a faster rate and your benefits will be exhausted in a lesser number of years than anticipated.

KAPT reserves the right to make an actuarial adjustment on accounts that use more than the payout value for the year. Students who apply for financial aid should notify their financial aid office if they intend to use more benefits than the one-year payout value.

What if my beneficiary attends an out-of-state school?

Your payout value will depend on the KAPT plan you purchased, not the school your beneficiary attends. If your beneficiary plans to attend an out-of-state institution, you must advise KAPT in writing at least 45 days prior to enrollment. You can use the Notice of Intent to Enroll Form included at the bottom of your benefits use package letter.

Can KAPT funds be used for summer terms or intersessions?

Yes. You must submit a KAPT Billing Authorization Form to the school by the payment deadline for the academic term. Benefits used will be deducted from the available benefit hours on your account.

What is an eligible educational institution?

Eligible educational institutions generally are accredited postsecondary educational institutions offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree, or another recognized postsecondary credential. Nearly all Kentucky higher education institutions are eligible educational institutions. Contact your school to determine if it qualifies as an eligible educational institution.

How does the school get paid from my KAPT account?

You must provide the school billings office with a KAPT Billing Authorization Form each academic period for which you want KAPT to pay benefits. The form is available at www.getKAPT.com. You should give this form to the school by the school's billing deadline each academic period. The school will then invoice KAPT after the drop/add deadline for the tuition and fees charged or a lesser amount if indicated by you on the form, up to the payout value of your account. Please note that no adjustments will be made for failed courses or hours dropped after an invoice has been paid. Any refund due to dropped courses will be calculated according to the school's refund policy.

What expenses are eligible to be paid with my KAPT account?

Your KAPT account can be used to pay for qualified higher education expenses including tuition, fees, books, supplies, and equipment required for enrollment at any eligible educational institution, and room and board if the beneficiary is enrolled at least half-time. The amount of room and board that may be treated as a qualified higher education expense is generally limited to the room and board allowance that is included by the school in its "cost of attendance" for that year.

You should retain receipts, invoices, or other information adequate to substantiate the qualified higher education expenses of your beneficiary because it is your responsibility to substantiate any expense you claim on your federal income tax returns as a qualified higher education expense if the Internal Revenue Service requires you to do so.

What are residual benefits?

Residual benefits are benefit amounts remaining in your account after tuition and fees are paid. For example, if the payout value for one contract year of your plan is \$10,000 and \$8,000 is disbursed for tuition and fees, you might request \$2,000 to pay for your beneficiary's other qualified higher education expenses. Residual benefits not used are rolled forward and revalued based on the next year's payout rate.

How do I request funds to pay for qualified higher education expenses other than tuition and fees for my beneficiary?

You can request funds be disbursed for these types of expenses to you or directly to the school by completing a Residual Benefits Request. This form is available at www.getKAPT.com.

What if my beneficiary gets a scholarship?

KAPT benefits can be held for future use, transferred to another member of the beneficiary's family, or refunded to the purchaser. Also, your KAPT benefits can be used for qualified higher education expenses not covered by the scholarship. For example, if your beneficiary receives a partial scholarship for tuition and fees, your KAPT account can be used for the remaining tuition and fees by submitting a Billing Authorization Form to the school. Or, if a full tuition scholarship is received, your KAPT account can be used to cover other qualified educational expenses like books, room, and board by submitting a Residual Benefits Request.

In order to process a scholarship refund, a request signed by the purchaser and documentation of the scholarship must be provided after the scholarship is actually received. For example, if your beneficiary receives a four-year tuition scholarship, you could request a refund on a semester-by-semester basis for the amount of scholarship received each term. You would not be able to request a refund for the full four-year amount of the scholarship in your beneficiary's freshmen year since the full amount of the scholarship had not yet been received. Earnings that are refunded due to scholarship are subject to federal income taxes.

How is KAPT considered in the financial aid process?

Tuition prepayment plans are currently excluded from being reported as an asset on the Free Application for Federal Student Aid (FAFSA). Instead, federal law requires that KAPT benefits be treated as a financial resource of the beneficiary for federal need-based financial aid, which may result in a reduction of aid eligibility. Your contract benefits are not included in determining the amount of Kentucky state student aid your beneficiary will receive. You should contact the school financial aid office to determine the impact your KAPT contract may have on eligibility for other types of financial aid.

What if my beneficiary decides not to go to college or if I have benefits left on my account when my beneficiary finishes college?

If your beneficiary decides not to go to college, you may hold your account for future use, transfer benefits to another member of the beneficiary's family, or request a cancellation of your contract. If you have benefits remaining when your beneficiary finishes college, you may transfer benefits to another member of the beneficiary's family or request a refund of the remaining value of your account. Also, KAPT funds can be used if your beneficiary pursues a post-baccalaureate degree. Keep in mind that your account payout value will still be based on undergraduate tuition rates.

What are the tax implications when benefits are disbursed?

Payments made for qualified higher education expenses are not subject to federal income tax and are not subject to state income tax if the recipient is a Kentucky resident. If the recipient is a resident of another state, you should check to see whether any state tax will be owed. The recipient (either the account owner or the beneficiary) will receive a 1099 form from KAPT in January of each year. The beneficiary will be considered the recipient for disbursements that are made directly to the school. The account owner will receive the 1099 for all other disbursements. KAPT recommends that you consult with a professional tax advisor if you have further questions regarding the income tax effects of a prepaid tuition account.